CEC workshop: Use of biomethane delivered via the natural gas pipeline system for California's RPS

Comments by:
Southern California Public Power Authority
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Introduction to SCPPA

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Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon and the Imperial Irrigation District

SCPPA members' planning objectives:

- Reliable Power
  - Fuel and geographic diversity to increase the efficiency of existing assets such as transmission
- Competitive and Stable Power Rates
  - Our ratepayers are our "shareholders"
- Environmentally Responsible

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RPS Challenges

Need compliance flexibility in order to maintain electrical system reliability

- SCPPA members are fully resourced with a nominal load growth forecast ⟹ few if any "unmet needs"
  - Likely **to displace existing owned generation or long term purchase contracts to accommodate RPS**
- From start of negotiation to a signed contract may take 1-2 years; Commercial Operation Date of projects is usually 2-4 years after contracts are signed; projects are often delayed
- In-State "Bucket 1" renewable energy resources are very limited for the short term due to typical project development issues (including siting difficulties) and ongoing transmission constraints
- **Legislative and regulatory uncertainty creates contract (financial) risk and supply risk**

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Benefits of Biomethane

As a part of mix with other renewable and conventional resources

- Least-cost, best-fit and viable resource [PUC 399.13 (a) (4) (A) & 399.16(b)]
- Viable alternative to reduce coal use
- Can be reliably used in generation facilities which can be dispatched to meet local load profiles and accommodate variable renewable sources (solar, wind, etc.)
- Provides fuel diversity…a must for electrical system reliability
- No additional power transmission infrastructure is needed
- Can be stored to match utility's energy needs, with no adverse impact on natural gas pipeline system
- Easily auditable from source to sink

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Certification Issues

- CEC should continue to process applications for certification under the regulations and guidelines as of the date the application was submitted (or the date biomethane started flowing), not the date the application was processed
- Certification process should provide for multiple biomethane sources to be added sequentially without affecting eligibility, content category, or other criteria for previously approved biomethane sources
- CEC should consider certifying biomethane sources as RPS eligible so that electric generators using certified biomethane can be expeditiously certified, reducing the regulatory risk
- Certified generators that are repowered or replaced should maintain certification under original conditions

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Certification and Content Category Issues

- Certification of the generation should align with the existing WREGIS practice of itemizing each "unit" of a facility
  - The operator of a generating facility with multiple generating units should be able to specify the units at which the biomethane is combusted
- Under SBX 12, the RPS Portfolio Content Category is determined by the location of the generator, not the source of the fuel
  - If the electricity generated from combustion of biomethane is scheduled into CA Balancing Authority Area, the electricity corresponds to PUC §399.16(b)(1)(A) and should be considered "Bucket 1"

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1) Delivery of Biomethane

- **Existing CEC requirements for delivery should be retained**
- **Both options (a) and (b) impose unnecessary restrictions that will raise the costs of procuring biomethane and complying with the RPS**
- **In California, delivery of biomethane should be treated in the same way as natural gas – in accordance with established rules set out in CPUC-approved gas tariffs**
  - **Existing delivery requirements are well vetted, comply with the regulatory structure of the natural gas utilities and should be retained**
  - **Once biomethane is nominated to California, its path should not be relevant to the CEC for RPS purposes**

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2) Location Requirements

- **The CEC should not add location requirements**
- **Neither existing regulations nor SBX1 2 provide any basis for imposing location requirements on biomethane production**
- **Total potential supply of biomethane from the whole of the USA is very limited and will not prevent uptake of other types of renewable energy**
- **Use of biomethane from a range of sources should be encouraged as it diversifies energy supply, reduces reliance on natural gas imports, and supports best possible operational integration of variable renewable resources**

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3) Transportation Agreements

- **The CEC should retain the current requirements (option a)**
- **If restrictions are imposed on transportation, costs will increase without any corresponding environmental benefit**
- **Delivery of biomethane should be treated in the same way as natural gas – in accordance with established rules set out in CPUC-approved gas tariffs**
  - **Greater transport flexibility and reduced delivery risk**

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4) Delay in Combustion

- **Delays in combustion of biomethane should be allowed**
- **Delays may occur for many reasons outside the control of the generating facility operator, even after the biomethane has reached California**
  - **For example, a pipeline may be out of service or there may be an unplanned shutdown at the generating facility**
- **In addition, there may be good operational reasons why a facility chooses to store biomethane for use when production drops or to help stabilize gas flow**
- **The CEC should only require record keeping to enable audits of biomethane purchases, delivery, potential storage, and ultimate combustion of the fuel**

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5) Biomethane Imbalances

- Biomethane imbalances should be treated in the same way as natural gas imbalances – in accordance with established rules set out in CPUC-approved gas tariffs
  - Tariffs provide +/- 10% monthly imbalance tolerance for all pipeline gas, including biomethane (with seasonal adjustments)
- The CEC should not impose imbalance limitations that are stricter than existing tariffs – this would conflict with settlement agreements imposed by the CPUC, and would not add value

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6) Biomethane Records

- Electricity generating facilities retain extensive records to support the auditing of biomethane, including:
  - Chain of title from the source of the biomethane to the meter, including storage and parking transactions
  - Pipeline scheduling and balancing records
  - Schedules of nominations and confirmations
- Such records provide a complete picture of the delivery and use of biomethane and will prevent double-counting
- The ARB proposes to accept such records for the purposes of the cap-and-trade program

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Thank you

Gurcharan Bawa
Pasadena Water & Power
(626) 744-7598
gbawa@cityofpasadena.net